

Date: 7/15

From: \_\_\_\_\_

INFO ACTION INITIALS

Ms. Derian			
Mr. Schneider	✓		ms
Mr. Jones			
Mr. Hill			
Ms. Bova			
Mr. Brody			
Ms. Hanson			
Mr. Heilsnis			
Ms. Hanley			
Ms. Capps			
ALL			

FILE - ① Latin America

COMMENTS:

Declassified  
Authority: 43265 By:  
Amanda Weimer Date:  
05-08-2015



DEPARTMENT OF STATE  
ACTION MEMORANDUM

S/S *K*

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TO: The Secretary  
FROM: ARA - Terence A. *Todman*  
SUBJECT: Memorandum to the President on Latin America

ISSUE FOR DECISION

Whether to submit to the President the attached Memorandum.

ESSENTIAL FACTORS

The Memorandum is a comprehensive strategy paper for Latin American affairs. It reviews all major issues in accordance with the guidance we have received from the President, including all items raised during Mrs. Carter's trip, and sets forth the approach we propose to follow in the months ahead.

In accordance with formal and informal White House requests since the President's Pan American Day speech, the Memorandum provides:

- an assessment of what we have accomplished so far;
- the approach we propose to further our objectives in major policy areas;
- the key program elements proposed in each area; and
- status reports on specific aspects of the President's speech and Mrs. Carter's trip.

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We believe this paper provides a basis for continuing movement on our Latin American policy. We hope, therefore, to receive your, and the President's, endorsement of our overall approach. We have also identified certain issues on which we would particularly welcome the President's further guidance.

To make our report as manageable as possible, we have highlighted major issues in the Memorandum itself, with additional detail in individual tabs.

As you will note from the clearances of this Memorandum, an unusually large number of outside agencies participated actively in the review and fully concur in the result. The remaining few inter-agency differences (e.g. countervailing duties) are clearly stated in the tabs.

Recommendations:

1. That you sign the Memorandum to the President.
2. In addition, I hope you could find an appropriate occasion in the near future to mention to the President the importance we have attached to this review, pointing out that it covers his OAS speech guidance as well as all issues raised in Mrs. Carter's trip.

Attachment:

Memorandum to the President with enclosures.

LE NSS  
Drafted: ARA/PPC:LREinaudi/NSSmith/ahm  
x29492:7/14/77

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Clearances, Memorandum to the President

(A) Within State

P - Mr. Habib (cover memo, in draft); Mr. Tice  
S/P - Mr. Lake (cover memo); Mr. Feinberg  
  
D - Mr. Lamb (in draft)  
E - Ms. Einhorn  
D/HA - Ms. Derian  
S/NM - Ms. Falco  
M/CT - Mr. Karkashian  
UN/A - Ms. Holloway (in draft)  
EB - Mr. Boeker  
PM - Mr. Erickson  
OES - Mr. Brewster  
IO - Mr. Helman  
H - Mr. Cutter  
CU - Mr. Hitchcock  
PA - Mr. Dyess  
INR - Mr. Estep

(B) Agencies

AID - Mr. Valdez; Mr. Shakow  
ACDA - Mr. Behr  
Agriculture - Mr. Hathaway  
CIA - EO25x1  
Commerce - Mr. Abbuhl  
DOD - Mr. Quant  
DEA - Mr. Kusack  
EXIM - Mr. Chapman  
EPA - Ms. Gregory; Ms. McHugh  
ERDA - Mr. Ichord  
FEA - Mr. Malin  
FRB - Mr. Truman  
HUD - Mr. Callaway  
IDB - Mr. Dunigan  
Interior - Mr. Ellingboe  
Justice - Ms. Meisner  
Labor - Ms. White  
NASA - Mr. Zimmerman  
NBS - Dr. Brady  
NOAA - Mr. Johnson  
NSC - Mr. Pastor  
NSF - Dr. Feller  
NTIS - Mr. Shonyo  
OMB - Mr. Sanders  
OPIC - Amb. Smith  
STR - Mr. Lande  
Treasury - Mr. Bergsten  
USGS - Mr. Reinemund; Mr. Chitester  
USIA - Mr. Chatten



THE SECRETARY OF STATE  
WASHINGTON

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MEMORANDUM FOR: THE PRESIDENT

From: Cyrus Vance

Subject: YOUR LATIN AMERICAN INITIATIVES:  
Initial Assessment and Follow-up  
Strategy.

A precedent-setting OAS General Assembly and Mrs. Carter's success have confirmed the new directions you set forth on Pan American Day.

We now have hard evidence that human rights concerns have genuine support in Latin America -- from a number of governments as well as from many ordinary citizens.

To consolidate that support will require sustained action and progress on some intractable underlying issues.

This memorandum reviews our evolving strategy to give practical effect to your statements, summarizes activities underway on major issues, and requests your policy guidance on some key choices.

The OAS General Assembly

At Grenada in June:

- A new issue - human rights - dominated debate.
- After years of fighting alone on major issues against a united front of other members, this time half of Latin America, including the entire Caribbean, lined up with us.

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- Our key resolution, which commended the Inter-American Human Rights Commission and proposed steps to facilitate its work, passed undiluted with the backing of thirteen other governments.

The politics of success were delicate.

- Our coalition was difficult to assemble. I met with eighteen Foreign Ministers. Our USOAS delegation had to work well and hard to the last.
- Opposition was strong and concentrated. Led by Uruguay and Chile, and behind the scenes by Brazil, the Southern Cone was backed by most Central American states, and fell only two votes short of blocking our resolution.
- Mrs. Carter's trip was almost certainly decisive in obtaining the support from Peru and Ecuador that proved critical.

Latin American solidarity has broken over the human rights issue. But there are disadvantages as well as advantages:

- The unconvinced, Brazil and Argentina in particular, have the power to hamper us in important ways.
- Our human rights policy cannot be fully successful unless we succeed in reaching countries where major abuses exist. This will take time, skill, persistence and patience.

My conclusion is that we have made a major step forward in obtaining regional support for human rights. The direction is set, and set well. But we still have a long way to go. We must now keep our coalition together and find ways of broadening it.

#### The Months Ahead

The support we received for the aspect of human rights we stress most -- individual freedom -- came from conviction. This conviction, however, included the expectation we would also support the aspect of human rights emphasized most in Latin culture -- socio-economic well being.

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The Grenada Assembly put us clearly on notice that we cannot escape the economic dimensions of human rights. Our resolution on protecting the sanctity of the person received one vote more than an absolute majority -- but a Colombian resolution calling for promotion of human rights through economic cooperation was carried by acclamation.

Giving substance to your new directions from now on will require action more than rhetoric. Progress on economic issues will be critical to allay fears that we are defining human rights narrowly to divert attention from basic North-South issues of growth and equity.

Starting from a far lower base than we do, and less able to cope with escalating oil and other import costs, many nations of Latin America face a cruel choice between cutting deeply into economic growth -- and thus the social change it facilitates -- and incurring increasingly heavy external debt to sustain more moderate growth levels. Like most other developing countries, they are not looking for handouts, but for ways to develop effectively and in an ultimately self-sustaining fashion.

In moving ahead, we cannot return to a "special relationship" with Latin America. Rather, we must apply global policies with the kind of attention, effort and individual sensitivity that will enable us to sustain our current hemispheric coalition and give us some meaningful chance for progress with the others.

#### Promoting Human Rights

The development and application of our global human rights policy, now under review in PRM-28, is a case in point. One of its major dilemmas is sharply defined in this hemisphere. It is:

How can we best promote human rights in those countries whose governments have poor human rights records?

Attitudes toward this issue are as complex and sensitive as the issue itself. In fact, the issue presents a recurring dilemma more than a general policy choice, for country specific criteria and interests other than human rights have to be weighed each time we move from abstract premises to decisions on particular cases.

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You should be aware, however, that two aspects of this issue have recently aroused considerable debate and have serious implications for how many Latin American governments will evaluate and react to our initiatives on human rights.

-- The first is how to help meet basic human needs without endorsing a government's repressive practices. We have to be careful not to appear to be so rigid on political rights that we appear to deny pressing socio-economic rights.

-- The second is how to use available executive discretion on military relationships, and specifically whether to reduce further our already declining military ties in countries where repressive military regimes are in power. The pivotal role of military officers and the uniformed services in the domestic and foreign affairs of most Latin American countries -- and our own interest in regional peace and cooperation -- make the necessary introduction of human rights concerns into our military relationships a particularly sensitive issue.

In sum, just as we must seek to balance political and socio-economic human rights, so we must weigh the appearance of implicit support for repressive military acts against the possibility of influencing military institutions on a wide range of matters, perhaps including human rights as well as regional tensions.

These two issues highlight a more general problem. We have found it easier thus far to deny assistance on human rights grounds than to provide it. Clearly, we increasingly need to find ways of engaging individual countries, including both governments and private groups, in positive activities that recognize good performance and stimulate improvements in human rights conditions.

In the weeks and months ahead I intend to explore ways in which all available policy instruments can be used, in all countries, to actively promote our fundamental commitment to human rights and peace. We need carrots as well as sticks for the long haul ahead.

I believe this approach is the surest way to achieve our objectives and would welcome your thoughts on this matter as we move into a more active phase.

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Action Areas

Tabs 1 through 11, prepared on the basis of extensive inter-agency deliberations, summarize our approach and action program by issue.

In addition to specific comments you may wish to make on individual items in the tabs, your sense of priorities -- and in some cases guidance -- would be particularly useful to us on the following:

I. Consultations (Tab 1)

In this critical area, we propose to:

- A. Embark upon a major program of visits by senior officials to Latin America; and
- B. Establish an inter-agency coordinating procedure, under the Department of State, to assure that these visits and contacts are mutually supportive of overall Administration policy objectives.

II. Human Rights (Tab 2)

Assistant Secretary Todman cabled basic guidance to all our Embassies in Latin America on June 17. Human Rights Evaluation Reports, spelling out short and long term strategies for every Latin American country, are in preparation.

We are acting now to:

- A. Use our voice and vote in the international financial institutions in support of human rights objectives.
- B. Strengthen the Inter-American Human Rights Commission, possibly including visits to Paraguay, Haiti, and other countries -- and to the U.S.
- C. Intensify consultations with like-minded hemispheric states on means to improve compliance in offending states.
- D. Explain, and mobilize support for, our human rights policy among religious, business, professional and ethnic communities in the U.S.

III. Economic Issues (Tab 3)

In this key area, we propose to:



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- A. Urge agencies to continue to use every appropriate occasion to press both developed and developing countries to adopt forthcoming postures on trade issues in the MTN.
- B. Assure that Administration studies now underway on assistance policy, IMF facilities and international financial institutions clearly focus on two questions essential to our relations with the LDCs:
  - the extent to which the U.S. should provide, or support, more "fast disbursing, balance of payments assistance" and which bilateral or multilateral instruments we should use for this purpose.
  - the desirability of more flexible criteria and conditions on the part of the International Monetary Fund (IMF) in using its facilities, particularly the anticipated \$10 billion new Witteveen facility, in assisting developing and other countries with balance of payments difficulties.

#### IV. Cultural Affairs (Tab 4)

I strongly recommend that you approve in principle the development of a significantly expanded high-visibility cultural exchange program reflecting our emphases on human rights and on the role of the individual citizen in foreign affairs. This effort would require a supplemental appropriation for FY-78 (of \$6 to 7 million), and sustained increased funding in future years. If you agree, we would conduct further feasibility analyses and prepare submissions for OMB review.

#### V. Science and Technology (Tab 5)

I recommend that you consider an expanded S&T program for Latin America. Some of the benefits are long range, possibly difficult to justify to the Congress and relatively expensive; nevertheless, they are of considerable interest and potential usefulness. Our top priorities, described in more detail in Tab 5, are:

- A Technology Cooperation Package (\$10-20 million per year)
- Remote Sensing Projects (\$15-20 million per year)

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-- Advance Communications Technology  
(\$20-25 million per year)

Your general guidance on priorities and possible funding will allow us to develop further feasibility analyses and prepare submissions for OMB review.

#### VI. Other Major Issues

Additional topics for your review and guidance include:

Nuclear Non-Proliferation	Tab 6
Conventional Security Issues	Tab 7
Terrorism	Tab 8
Narcotics	Tab 9

Finally, Tab 10 gives a status report on those items raised with Mrs. Carter not covered elsewhere.

#### Follow-up Procedures

We have established inter-agency working groups to ensure that the initiatives taken in support of your April 14 speech are developed and implemented in a coordinated manner. We will when necessary provide reports on progress achieved and decisions required on individual issues. Reports already planned or requested are listed in the tabs.

We are also beginning reviews of policy toward two major subregional areas.

- (1) The Caribbean -- where sound development initiatives are required to promote human rights, sustain democracy, and help manage the mini-state problem; and
- (2) The Southern Cone -- whose countries are of fundamental importance to us on human rights and nuclear transfer issues and in the regional balance generally.

In summary, I believe we have taken the initiative in Latin America. And the inter-agency participation in the follow-up process (listed in Tab 11) demonstrates that we are beginning to coordinate in ways that will sustain the momentum.

#### Attachments:

1 - Consultations

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- 2 - Human Rights
- 3 - Economic Issues
- 4 - Cultural Initiatives
- 5 - Science and Technology Initiatives
- 6 - Nuclear Non-Proliferation
- 7 - Conventional Security Issues
- 8 - Terrorism
- 9 - Narcotics
- 10 - Other items raised with Mrs. Carter
- 11 - Inter-agency Participation

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CONFIDENTIALCONSULTATIONS

Your OAS pledge to consult closely with our American neighbors in advance of major global policy decisions has been widely welcomed. Your personal consultations on sugar and Mrs. Carter's trip demonstrate that prior contacts can advance our interests.

The Latins doubt, however, that we will actually hold prior discussions with them on major issues -- at an adequate level and in a timely manner. They have heard this pledge before. And they know genuine consultations are rare.

Such procedures do not imply a "special relationship" with Latin America; on the contrary, they should be applied to all areas, as a matter of sound diplomatic practice. They do mean, in our own self interest, giving such countries a seat at the table when global issues which affect them are being decided.

Proposed Approach

We should promote informal, businesslike discussions among neighbors on common problems and differing perceptions. This would set a style for Inter-American affairs which all sides have wanted but never achieved. It would greatly strengthen our relations with Latin America.

Action Program

1. to initiate a carefully orchestrated program of high-level visits, including:
  - Andy Young's trip to the Caribbean basin;
  - Bob Strauss' swing to major countries on trade issues;
  - a series of visits to South and Central America later this year by Terry Todman, Gale McGee and me, focused on major political issues; a special visit to Brazil and Argentina this fall by Gerard Smith to discuss nuclear energy

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alternatives; and trips by John Gilligan and Abelardo Valdez to selected countries, on aid matters;

- intensified contacts by Mike Blumenthal and Tony Solomon on financial issues; a similar program by Jim Schlesinger on energy, both with full participation by State; and possible visits by senior officials of NASA and other agencies on scientific matters; and
- a coordinated series of visits by senior civilian and military officials to explain our arms transfer policies and our unified posture on human rights;

Above and beyond the substantive progress we hope to achieve through such visits, they will have a significant public impact which itself should serve to underscore our policy objectives.

2. to establish more effective interagency coordination procedures, to assure that U.S. officials in all agencies convey consistent and up-to-date Administration policy in the many forums in which we interact with Latin America;
3. to strengthen bilateral consultations with major nations: Mexico (already functioning), Brazil (modified meetings are planned for this fall), and Venezuela;
4. to reform multilateral hemispheric institutions (primarily within the OAS system): we plan to review all bodies to determine which should be strengthened -- institutionally and financially -- as a basis for more effective consultations, and which should be dropped;
5. to consult with Latin American and other developing countries, at appropriate levels, regularly and on a meaningful basis, on major issues in advance of multilateral meetings at the UN, IMF, MTN, etc; and
6. to assure that persons representing a broadened spectrum of Latin American opinion have regular access to U.S. policy makers, in all agencies,

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to demonstrate our interest in non-official perspectives (to be developed also through the cultural initiatives proposed in Tab 4).

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CONFIDENTIALHUMAN RIGHTS

We are actively engaged in the development of a global strategy on human rights (PRM-28) now due within two weeks. Latin America is central to that effort. Assistant Secretary Todman cabled basic guidance to all our Embassies in Latin America on June 17. Human Rights Evaluation Reports, spelling out short and long term strategies for every Latin American country, are in preparation.

Proposed Approach

We believe our strategy must encompass economic and social as well as political/individual rights. We are working on a "spectrum of support" concept which involves:

- an effort to define and clarify the standards, including our concern for the economic rights of poor people in developing countries, which would guide our assessment of human rights progress in the countries of the hemisphere;
- an array of the tools to be employed -- carrots as well as sticks -- including economic, military, political, media activity and symbolic actions appropriate to our human rights objectives;
- an explicit consideration of our various interests, the probabilities of successful engagement, the impact on our overall moral posture and credibility and the costs involved in specific cases;
- a process (and possible scenarios) for approaching serious offenders, and indeed all parties concerned.

Action Program

1. To strengthen the Inter-American Human Rights Commission

To improve our capabilities to bring collective pressure on human rights offenders, we are working:

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(1) to seek a stronger, more cohesive structure within the OAS, assuring adequate financing for IAHR activities and perhaps establishing a position equivalent to "High Commissioner"; and

(2) to persuade Paraguay, (and ultimately Uruguay, El Salvador and Argentina), to accept IAHR visits; Haiti has recently indicated a willingness to receive the Commission; beyond that, we are developing strategies to work actively toward the even tougher problem of Chilean compliance with recommendations of previous IAHR reports.

2. To Achieve Ratification of the American Convention on Human Rights

(1) we will undertake early soundings on the prospects for ratification by the U.S. Senate and on the domestic implications of such an effort; and

(2) concurrently, we will press additional countries to ratify the convention. As a result of Mrs. Carter's trip and the OASGA, six additional governments have agreed to sign and ratify the San Jose Pact. We believe we can bring Mexico, Panama and the Dominican Republic along to make one more than the required eleven.

3. To Assist Political Refugees

We are actively exploring three lines of action in support of your OAS commitment to broaden political refugee programs:

(1) legislation to affect increased U.S. acceptance of refugees;

(2) increased political and financial support for multilateral organizations and private groups assisting refugees; and

(3) encouragement of other Latin American governments to take the lead in developing new initiatives, seeking both funds and resettlement opportunities, and bringing pressure on human rights offenders to allow increased refugee outflow.

Additional U.S. funding will be required. We are reviewing magnitudes. We do not anticipate significant Congressional objection.

4. To Induce Other Governments to Take Initiatives

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Seizing on the momentum of Mrs. Carter's trips and our OASGA resolution we propose:

(1) to solicit ideas from supportive hemispheric governments on: (a) how to give force to agreed standards of human rights conduct, and (b) how to proceed with those governments with less acceptable records on human rights;

(2) to interest the Canadian, European and other governments, in undertaking and working cooperatively on human rights initiatives; and

(3) to work in various fora such as the G-10 Finance Ministers, annual meetings of the IFIs, and through the executive directors of these institutions, to gain understanding and support for our human rights position.

5. To Increase Understanding at Home and Abroad

We are working:

(1) to encourage major church and religious organizations to play a more active role on this issue. We propose that you, or Mrs. Carter, meet with an ecumenical group of selected American religious leaders in the near future to launch this effort;

(2) to elicit understanding and attempt to develop greater support for human rights concerns within the U.S. business community now active in Latin America. This may be difficult. Commerce has agreed to take the lead in preparing a strategy for this effort;

(3) to develop approaches also to other major groups with an interest in humanitarianism and/or Latin American affairs, including the U.S. Hispanic community; and

(4) to develop greater understanding and support in Latin America itself via intensified USG media and influential public opinion activities.

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ECONOMIC ISSUES

Our economic, trade, financial and assistance relationships with the countries of the hemisphere will continue to be viewed as key indicators of our basic attitude toward the region.

Proposed Approach

We must therefore pursue initiatives on the economic front as well:

A. Trade

(1) MTN: Although the multilateral trade negotiations in Geneva (MTN) are proceeding slowly, the Administration is determined to increase the pace of the MTN. This is a complex area; and global as well as domestic economic considerations are paramount. But it is important to Latin America as well.

Action Program

Intensive bilateral consultations are already being scheduled with major countries like Mexico and Brazil. We need to broaden this. We will work with Bob Strauss on a major swing through the Hemisphere, to explain our views and listen.

(2) GSP: OPEC Exclusion: You have under consideration a recommendation on seeking legislation which would empower the President, on a case basis, to waive the exclusion of OPEC members from GSP privileges.

Action Program

Action hinges on your decision as to whether, and how, to pursue this matter with the Congress.

(3) GSP: Competitive Need Limitations: The U.S. Trade Act now excludes from the benefits of GSP those products where either (1) total U.S. imports exceed a certain level, which is adjusted annually for GNP growth (\$29.9 million in 1976) or (2) where the less-developed country concerned provides half or more of our imports. The latter provision can be waived but only where there is no competing domestic

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production. This provision is important to many Latin LDCs, affecting products such as chayote from Costa Rica and bitters from Trinidad.

(4) GSP: Rules of Origin: The US Trade Act now tends to discourage regional economic integration by its rules of origin on eligible articles. This provision should be re-examined with the aim of removing this impediment to integration.

Action Program

An interagency group is now reviewing all aspects of GSP, including (a) examining the feasibility of seeking changes in the competitive need provision, and liberalization of the rules of origin for regional groups. There is considerable concern that an effort on our part with the Congress now will reopen the GSP provisions to undesirable changes. Recommendations to you as to whether amendments can be achieved at acceptable cost are anticipated in September.

(5) Countervailing Duties: We are pursuing negotiation of a new subsidies-countervailing duty code in the Multilateral Trade Negotiations (MTN) and are reviewing possible special treatment for developing countries in such a code.

For the next 18 months, Treasury can waive our countervailing duties in certain circumstances, but statutory conditions specified for its use are tough, the Congress retains a veto and therefore actual use of the waiver has been restricted and, of necessity, on a case-by-case basis. Use of the waiver, where it is possible, is seen by the countries of the developing world as a sign of progress.

Action Program

I propose that responsible agencies submit for your consideration a review of the whole range of subsidies/countervailing duties issues, including use of the waiver where possible.

Treasury does not believe that a review of the application of the waiver procedure is appropriate since it is statutory in nature.



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(6) Specific U.S. Import Barriers

Action Program

Meat Restraints: The size of the import restraints on meat is a political issue for certain Caribbean and Latin American countries. A memorandum on our meat import policy will be ready in mid-July, with recommendations regarding the extent to which we can grant moderate increases in furtherance of overall policy objectives.

-- Rum Tariff: Our import duty on rum which is important to the rum industry of Puerto Rico and the Virgin Islands (and to the revenues of the government of Puerto Rico) adversely affects our relationships with several Caribbean countries. STR has a contract with a consultant to study this issue, including the fiscal aspects. I recommend you ask STR to accelerate this project, and request a report as soon as possible.

-- Sugar: This product is important to many countries in the hemisphere. There are no effective quotas on sugar at present but there are strong political pressures to impose them. A memorandum to you on possible redesignation for GSP of certain countries is in preparation.

B. International Finance and Development Issues

(1) Basic Issues: Three studies now underway within the Administration--with reports due by early fall--should help clarify our position on several issues central to our relations with the Latin Americans and other countries. The studies are focused on three related areas:

-- The International Monetary Fund (IMF), where a study -- in fact a continuing series of studies -- by the International Monetary Group (IMG) chaired by Treasury is examining the role of the IMF and our policies toward it;

-- The International Financial Institutions (IFIs), where a similar study, chaired by Treasury, is examining the roles of, and our policies toward, the World Bank, the Inter-American Development Bank and similar institutions; and

-- Development Assistance Policy, where a study by the Development Coordination Committee (DCC) chaired by AID is looking into U.S. development assistance policy, both bilateral and multilateral.

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Ways will be sought to increase our effectiveness in pursuing a growth with equity policy with particular attention to a basic human needs strategy.

In these studies, we will assure attention is given to:

-- the extent to which the U.S. should provide and/or seek to persuade the IFIs to provide more "fast disbursing, balance of payments assistance" and which instruments we should use for this purpose; and

-- the desirability of more flexible criteria and conditions on the part of the International Monetary Fund (IMF) in using its facilities, particularly the anticipated \$10 billion new Witteveen facility, in assisting developing and other countries with balance of payments difficulties.

(2) Other Bilateral Assistance Issues: The Development Coordination Committee study due September 1 will review and recommend an Administration approach on:

(1) Our overall approach to the "less poor" countries -- a major issue for our relations with Latin America, our peacekeeping initiatives, our human rights policy, and the North-South dialogue.

(2) Projected longer term overall levels of assistance;

(3) How our bilateral program can help facilitate human rights and other objectives;

(4) The relationship of bilateral assistance to our energy and resource needs; and

(5) Broad development-strategy questions, including specific types of assistance (such as technological transfer); the inter-actions between multilateral and bilateral assistance; and the role of our assistance in institution building.

### C. Energy

Most of the nations of Latin America have paid a heavy price in curtailed domestic growth as a result of heavy oil import bills. These countries face a profound dilemma: they must sacrifice growth or incur increasingly heavy balance of payments deficits just to continue moderate growth while they restructure their economies and find ways to increase their exports substantially.

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### Proposed Approach

Energy cooperation in the hemisphere can be multi-lateral and bilateral. Both forms must be considered in the context of our global energy policy.

Multilateral cooperation could involve various Latin American nations in such areas as: (1) research and development; (2) technology exchange; and (3) consultations on world energy supply and demand issues.

Bilateral approaches would involve specific energy projects, linking the U.S. and a country with identifiable near-term potential for additional energy resources (such as Mexico). Other projects would be designed to utilize existing resources more efficiently.

### Action Program

In connection with Administration review of our international energy strategy and multilateral review of CIEC follow-up, we will be putting forward new approaches later in the year.

### D. Investment Policy

U.S. investment in Latin America exceeds \$20 billion and has transferred capital, technology and managerial skills to those countries. At the same time, investment disputes have historically been a significant point of contention. In recent years, expropriations have led to our withholding aid, abstaining on loans in the international development banks, and applying diplomatic pressure in behalf of affected investors.

Most Latin American governments (and U.S. investors as well) have become noticeably more pragmatic in the last two or three years. Because of its flexibility and its low profile, our current investment dispute system generally works effectively and is compatible with the way in which the Latins themselves are approaching investment dispute questions.

A fundamental stumbling block to reaching a full accommodation with the Latins is their adherence to the Calvo Doctrine which recognizes only the primacy of national law and contrasts with our emphasis on minimum standards of international law.

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Proposed Approach

We are considering several possible initiatives in this area:

- (1) Encouraging the private sector to consider non-equity forms of investment;
- (2) Initiating a regional fact-finding dispute settlement mechanism;
- (3) Reviewing prospects for repealing Hickenlooper, Gonzalez and GSP provisions that require retaliatory US actions in the event of inadequately compensated expropriations; and
- (4) More extensive use of the Overseas Private Investment Corporation (OPIC) facilities for helping to resolve investment disputes.

Action Program

The Interagency Group on Expropriation will undertake a review of our policies for dealing with investment disputes. This review will consider the evolving attitudes toward foreign investment shown by many countries, including the Latins, and recommend improvements required in our policies.

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CULTURAL INITIATIVES

This effort in its broadest sense -- the increased interchange of people, ideas and varying perspectives -- must be given a more central place in our strategic approach to the hemisphere. People-to-people contacts complement our policy focus on human rights and convey our concerns for social and economic cooperation, and are an important part of our policy for improved relations.

More resources will be required.

Proposed Approach

We propose that cultural exchanges be expanded to encompass groups representing the entire range of interests on which citizens interact, drawing more upon non-traditional leadership groups such as labor, women, farm groups, consumer activists, religious organizations and others concerned with social issues and human rights.

Action Program

We seek your agreement in principle to proceed along the lines described below. If you concur, we would conduct further feasibility analyses and submissions for OMB review.

We propose:

- (1) More educational exchanges - especially those which fund Latin American graduate students here such as the Latin American Studies Program of American Universities (LASPAU);
- (2) A larger international visitor program, with a broader range of participants;
- (3) A strengthened American Studies Program in selected parts of Latin America and the Caribbean;
- (4) More regional seminars on policy issues leading to strong, on-going links between private and public sector groups; and
- (5) A stronger role in OAS cultural affairs, following up our recent pledge to contribute to the OAS Special Cultural Fund for the first time.

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In addition, the establishment of a North-South Center to focus scholarly efforts on hemispheric issues has been twice advocated by the U.S. Advisory Commission on International Educational and Cultural Affairs. This would need further study, but such a center could focus discussions of global North-South issues with Latin America, Africa and other third world areas. An indication of its possible cost can be obtained from the East-West Center for Asian-U.S. contacts at Hawaii which cost \$10 million in 1977.

To meet these program objectives, exclusive of funding required to create a North-South Center, would require:

- a supplemental appropriation of \$6.5 million for FY-78 (authorization exists, but recent appropriations under it fell short of our request). The effect would be to double current year funding for inter-American cultural programs (excluding related USIA and private-source expenditures). You should be aware, however, that pressures are also great for increased funding for exchanges with the USSR, Eastern Europe and Africa.
- sustained increased funding levels in future years.

A separate possible source of increased funding is the Social Progress Trust Fund. Potentially available foreign currency repayments to this fund exist in five countries and could conceivably be used for some educational activities. To try to do so poses very complex problems. Because of the possibility, however, we are carefully studying the problems to see if they can be overcome.

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~~CONFIDENTIAL~~SCIENCE AND TECHNOLOGY INITIATIVES

We are responding to Latin American interest in greater access to U.S. scientific and technological advances through multilateral development assistance (IFIs), AID technical assistance programs, U.S. support for OAS and UN programs in S&T, formal bilateral S&T agreements, informal arrangements, and scientific exchanges. An OAS working group is currently examining hemispheric S&T cooperation.

In a broader context, these activities will come together in the UN Conference on Science and Technology for Development, to be held in 1979, when global technology cooperation needs and progress will be stressed.

Proposed Approaches

The approach we recommend on closer cooperation in science and technology has three major program elements, outlined below in our order of priority. Individual components are subject to further feasibility analysis by the agencies and, of course, budgetary review as to their priority among competing claims for available resources. The program covers only the development of indigenous technical capacity in Latin America, rather than the transfer of technology from the U.S. private sector.

A. "Technology Cooperation Package"

We will review and submit recommendations regarding a broadened "technology cooperation package," some elements of which will require fresh legislative authority for the domestic technical agencies and AID to enable us to strengthen our international activities, through programs such as:

(1) Expanded access to the National Technical Information Service and an information exchange or "brokerage" service for Latin America.

(2) Energy Cooperation Program, already outlined by State, AID, and ERDA, focusing on solar, small-scale hydro, and geothermal energy.

(3) Industrial Research Cooperation Program, expanding the present activities of the National Bureau of Standards; and other firm-to-firm cooperation emphasizing non-traditional

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undertakings between medium-to-small size U.S. firms and their Latin American counterparts.

(4) Earthquake Prediction, Seismic Risk, and Earth Resources Program.

(5) Environmental Cooperation Program, already outlined by EPA.

(6) Scientific Research Institutional Development in Latin America, through NSF.

Such expanded activities (which could run to \$10-20 million per year), would be in line with resolutions at UN 7th Special Session and UNCTAD-IV, where the developed countries agreed to help the LDCs in technology development.

#### B. Remote Sensing Projects

Remote sensing technology is valuable in numerous applications, including map-making, weather forecasting, geology and other earth sciences, discovery and management of natural resources, agriculture, environmental and human settlement monitoring.

We will review and report to you shortly on several possible projects for training and other specific programs including:

(1) Establishment of Two Regional Remote Sensing Training and User Assistance Centers: one in the Andean Region, and one in Central America.

(2) A Cooperative Remote Sensing Monitoring Project on Coffee Rust: to help prevent the spread of this serious potential impediment to full production.

(3) Satellite Monitoring of Coastal Waters: Few countries can effectively monitor their 200 mile coastal zones to protect fisheries and prevent marine pollution. The likely cost, security problems and the possibility that non-user countries might perceive military intelligence motivation raise serious questions about this proposal.

(4) Cooperative program in monitoring land degradation and expansion of desert areas.

Costs for such projects would be on the order of some \$15 to \$20 million per year. It should be noted that regional programs, unless demonstrably related to

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direct benefits for the needy, could raise a complicated issue of which countries are eligible to participate, in view of our human rights constraints.

### C. Advanced Communications Technology

There is strong interest in this area. AID and NASA have accumulated considerable experience and are working to develop a joint program.

#### Proposed Approach

(1) A development-centered program of specialized seminars, workshops and conferences on uses of communication technology for meeting development goals, and the possible establishment of training centers in Latin America.

(2) Development of an advanced, experimental satellite communications system for the delivery of educational, medical, and other information both to population centers and remote areas. This effort could be understood to be a one-time US supported demonstration of a "package-deal", in which the US would develop and launch the first satellite, with follow-on satellite-launchings being purchased by the Latin Americans.

(3) Pilot projects in several interested Latin American and Caribbean countries, using satellites and other communication technology via existing NASA satellites or INTELSAT, for example.

Item one would cost upwards from several million per year to perhaps \$10 million per year. Items two and three would represent further increases, giving an overall total of some \$20 to \$25 million per year.

#### Action Program

We would appreciate your views on these overall approaches. On that basis, we would conduct further feasibility analyses and prepare submissions for OMB review.

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~~CONFIDENTIAL~~NUCLEAR NON-PROLIFERATIONA. Brazil and Argentina

Brazil remains insistent that its nuclear deal with West Germany cannot change. Argentina is constructing an indigenously developed reprocessing plant. The risk of nuclear competition creates an opportunity to seek parallel solutions to both the Brazilian and Argentine problems. Argentina is considering accepting full scope safeguards as the price for continued cooperation with Canada.

Proposed Approach

Our plan would involve U.S. acceptance of enhanced capabilities in both countries in the front end of the nuclear fuel cycle (i.e. heavy water production technology in Argentina and enrichment capability in Brazil) if those countries accepted full scope IAEA safeguards (via full adherence to the Treaty of Tlatelolco) and deferral of their reprocessing programs.

Action Program

I will send you shortly a memorandum outlining the strategy in greater detail. Both the nuclear and human rights issues are key to the "Southern Cone" strategy we are developing for your review.

B. Treaty of Tlatelolco

The documents needed to send Protocol I (adding U.S. Caribbean areas, Guantanamo, and the Panama Canal Zone to the Treaty) to the Senate are in preparation for your signature. Ratification hearings will probably be this fall.

Outside Latin America the obstacles to the Treaty's full entry into force are:

-- Soviet non-adherence to Protocol II (which would cover all nuclear weapons states with respect to the treaty zone). They say they will reconsider.

-- French non-adherence to Protocol I (which would cover French Caribbean territories.)

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### Proposed Approach

We will step up our lobbying efforts with the Soviets and French and will seek further support within the hemisphere.

### 3. Regional Nuclear Cooperation

The Inter-American Nuclear Energy Commission has not to date been an effective body in promoting regional cooperation. At its next meeting later this month, we will undertake intensive soundings to determine if the Latin American governments are prepared to upgrade the status and responsibilities of this Commission. If so, this will be an early test of our ability to bring about institutional change in the OAS system--and thus to lay the basis for effective hemispheric cooperation. We will at the same time pursue similar objectives through global, multilateral fora.

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#### IV CONVENTIONAL SECURITY ISSUES

##### 1. Peacekeeping

Potential trouble spots exist in the Andes and in Central America.

##### Proposed Approach

Three mutually supporting tracks are available in support of peacekeeping, including:

- continued support of the Rio Treaty, especially by accelerating Senate ratification of the Protocol of Amendment negotiated in 1975;
- actions designed to enhance the military and psychological security of states potentially in conflict; and
- the promotion of border integration and development in ways that will create economic disincentives to conflict.

##### Action Program

We will send you shortly an analysis and options paper on ways to reduce tensions in these areas.

##### 2. Military Relationships

Fifteen governments in this hemisphere are directly or indirectly under military control, yet military-to-military relationships have been severely impaired over the past fifteen years, in part by the increase of other arms suppliers, and in part by reductions in our programs due to arms control, human rights and other considerations. DOD believes that these relationships are important to our security interests and a valuable adjunct to the accomplishment of other U.S. objectives in the hemisphere.

##### Proposed Approach

The key issue is whether -- and how -- to work for some form of military cooperation which is sufficiently meaningful to them to provide a degree of influence on issues of interest to us. We must weigh the possibility of influencing military groups positively against the implicit support our association

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provides in those cases where repression exists.

Two approaches seem possible:

- to work with all military institutions in the hemisphere, insofar as the law allows using such instruments of military cooperation as U.S. financing and training programs in a carefully controlled context, in furtherance of U.S. policy objectives such as encouraging democratizing trends, greater civilian participation in the political process, or as inducements for human rights progress; or
- to stress non-military cooperation; cutting back military programs sharply with the most repressive military regimes.

3. Arms Transfer Policy

We face in Ecuador an early test of the Administration's policy on transfers of conventional weapons and equipment.

A. Proposed Approach

Within the context of PDM-13 there are several options under consideration, including:

- Reinforcing our regional limitations on arms transfers to Latin America by type of weapon and/or dollar volume.
- Alternatively, discontinuing existing 'paternalistic' regional limitations in favor of case-by-case review under global guidelines.
- Encouraging Latin American recipients to limit procurement of new weapons by providing FMS credit to procure spare parts and services for the maintenance of weapons systems now in their inventory.
- Consulting with other arms suppliers to limit new arms transfers to Latin America by type or volume.

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- Supporting the convocation of a meeting of military representatives from countries throughout the hemisphere to expand the Ayacucho Declaration and to formulate a common approach among recipients on types and levels of defensive armaments.
- Stimulating and supporting discussions between Latin American governments to reduce arms requests, restrain arms races, and give substance to the Ayacucho Declaration and similar regional initiatives.

DOD believes that more real progress towards arms restraints can be achieved if we start by recognizing Latin America's legitimate arms modernization needs, and then work to satisfy these needs in appropriately modest and mutually agreeable ways. It should be recognized that Latin American requirements will be competing with worldwide requirements under the FY-78 arms ceiling established by PDM-13. Special restrictions have been applied unilaterally in the past with little success, and there is no reason to believe that such devices will prosper now. Latin participation in any arms control initiative is crucial to its prospects.

#### B. Action Program

These issues are being addressed more fully in a joint State-DOD study on arms transfer policies for Latin America now being undertaken on our initiative. We will report our further general policy recommendations later in the summer, while recognizing that events -- such as the Ecuadorian request to Mrs. Carter or other developments in the context of our peacekeeping proposals for the Andean area may require that we come to you sooner for guidance on specific cases.

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TERRORISM

Terrorism -- the reality of the threat, and the nature of the methods required to bring it under control -- was a major issue at the OASGA. We recognize that some countries, particularly Argentina, face real problems. We do not, however, condone official repression carried out as an excuse for countering terrorist activities.

Venezuela has asked for an exchange of information on anti-Castro terrorists, many of whom operate from U.S. territory. The strict enforcement of criminal statutes against anti-Castro terrorists operating from our territory is critical to our position in the Caribbean.

Proposed Approach

PRM-30, due in early August is designed to review U.S. policy and procedures for dealing with terrorism, at the NSC and interdepartmental level. We are undertaking a separate review of the terrorist problem as it applies to our relations with Latin America and the Caribbean.

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NARCOTICS

The U.S.-Mexican program against opium/heroin is producing results. Programs for coca/cocaine in Bolivia, Peru, Colombia and Ecuador are much less advanced and pose difficult problems. These programs will depend in part on the results of the cocaine study underway under the auspices of the Office of Drug Abuse Policy and on the feasibility of crop or other income substitution programs. Efforts to enlist high level foreign commitment, particularly on judicial reform and corruption abroad, will also require much firmer treatment of traffickers by the judicial system in the U.S.

Proposed Approach

We propose to:

1. Undertake diplomatic initiatives with Latin American governments, and at the United Nations General Assembly (rather than just with the UN Commission on Narcotic Drugs) to increase international concern and gain the active support of the UN Secretary General.
2. Negotiate mutual assistance treaties with the Bahamas, Mexico, Cayman Islands, and Panama, to parallel the treaty with Colombia now under active negotiation for exchange of information in criminal investigations and prosecutions (including financial information).
3. Actively pursue passage of U.S. legislation to require high bail for major traffickers, alien and U.S. national; and
4. Explore rural development programs for poor farmers affected by narcotics source supply eradication or reduction efforts (opium in Mexico, coca in Bolivia and Peru). Such programs might include both public (bilateral and multilateral) and private sector financing.
5. Recommend ways to put our own house in order on many of the same issues on which we seek improvements from Latin American governments, including more effective programs aimed at immobilizing drug law violators and discouraging drug trafficking and demand in the U.S.

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~~CONFIDENTIAL~~ITEMS FROM MRS. CARTER'S TRIP NOT COVERED ELSEWHEREJamaica

(1) American Convention on Human Rights: Prime Minister Manley said he would discuss the Convention at this month's meeting of the Caribbean Community (CARICOM). He said he would urge other members to sign the convention and to support the Inter-American Human Rights Commission. We have asked the Embassy to keep in touch with the Jamaican government and keep us informed.

(2) IMF Negotiations: The IMF and the Government of Jamaica have reached an agreement which we support.

(3) US Assistance Package: You told President Perez that you would approve an assistance package of \$61.5 million for Jamaica. We understand that the papers are before you now.

Costa Rica

Visit of Youth Symphony: Your letter to President Oduber invited the symphony to Washington. We are studying ways to help.

Peru

Problems of U.S. Prisoners: We have asked that at least two Americans be amnestied on July 28--Peruvian Independence Day. The Embassy is pursuing other individual cases.

Access to the Amazon for Ecuadorian shipping: This will be covered in a memorandum we are preparing for you on Tensions in the Andean Region.

Colombia

Narcotics Issue - Helicopters: Dr. Bourne and Ms. Falco visited Colombia following Mrs. Carter's trip and met with President Lopez. After that meeting you authorized release of the helicopters to the Colombians. We are working out final details.

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Regional

Support for Regional and Subregional Economic Integration: AID is considering increased lending to the Andean Development Fund in FY 79 and to the Central American Common Market in FY 77 and 78. The Caribbean will receive \$6.5 million in loans and \$.7 million in grants during FY 77, and \$14 million and \$2.1 million respectively are planned during FY 78.

New assistance initiatives involving the Caribbean and its individual countries are being explored in the context of our review of US policy toward that region.

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Departments and Agencies Participating in this Review

This review was conducted by the Department of State in cooperation with the National Security Council.

The agencies listed below also participated in the preparation of this memorandum and have cleared it with the exceptions noted in the text. These agencies, and others, are expected to participate in the working groups established to assure further coordinated follow-up action on the Administration's Latin American initiatives. The agencies are:

- Agency of International Development
- Arms Control and Disarmament Agency
- Central Intelligence Agency
- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Housing and Urban Development
- Department of the Interior
- Department of Justice
- Department of Labor
- Department of Treasury
- Drug Enforcement Agency
- Energy Research and Development Administration
- Export-Import Bank
- Federal Energy Agency
- Federal Reserve Board
- National Academy of Sciences
- National Aeronautics and Space Administration
- National Science Foundation
- Office of Management and Budget
- Overseas Private Investment Corporation
- Special Trade Representative
- United States Information Agency

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